

Glossary of terms

Annuities

Accumulation phase. The period in an annuity contract prior to annuitization when annuity owners can add money and accumulate tax deferred assets.

Administration fees. Annual fees to cover recordkeeping and other administrative expenses; these may be charged as a percentage of the value of your account (e.g., 0.15% per year) or as a flat maintenance charge.

Annuitant. The person, frequently the contract owner to whom an annuity is payable, and whose life expectancy is used to calculate the income payment.

Annuitization. The conversion of the annuity accumulation value to a fixed or variable income stream for the life of the annuitant(s) or for a specified period.

Death benefit. In variable annuities, the payment the investor's estate or beneficiaries receive if the contract holder dies prior to the annuity starting date. Types of death benefits: greater of account value or premiums less withdrawals; rising floor, in which the insurance company guarantees a minimum return on premium deposits; ratchet, a benefit equal to the greater of (a) the contract value, (b) premiums less withdrawals, or (c) the contract value on a specified prior date.

Deferred annuity. The annuity contract during the time period prior to annuitization. The contract owner determines the point at which accumulated principal and earnings are converted into a stream of income.

Equity-indexed annuity. A fixed annuity, the returns on which are based upon the performance of an equity market index, such as the S&P 500. The principal investment is protected from losses in the equity market, while gains add to the annuity's returns.

Fixed annuity. A contract providing a specified rate of interest paid on the amount invested during the accumulation phase and a specified payment amount during the annuitization phase. The issuing company assumes the investment risk.

Flexible premium annuity. Contracts purchased with a series of payments over a period of time. The owner is usually allowed to change the amount or frequency of payments, subject to minimum annual amounts.

Guaranteed minimum accumulation benefit. A guarantee that ensures that the contract value of a variable annuity will be, at least, equal to a stated minimum amount after a specified number of years.

Guaranteed minimum income benefit. An annuity option which guarantees that the owner may annuitize the contract at a stated future date, based on the greater of (a) the actual account value or (b) an amount equal to premiums credited with a defined interest rate or the maximum anniversary value of the account prior to annuitization.

Guaranteed minimum withdrawal benefit. A guarantee that promises that a certain percentage (usually 5% – 7%) of a guaranteed benefit base (often paid premiums) can be withdrawn annually until the base is completely recovered, regardless of market performance or the actual account balance.

Immediate annuity. An annuity which is purchased with a single premium on which income payments begin within one year of the contract date. With fixed immediate annuities, the payment is based on a specified interest rate. With variable immediate annuities, payments are based on the value of the underlying investments. Payments are made for the life of the annuitant(s), for a specified period, or both (e.g., 10 years certain and life).

Inflation-linked annuity. Also referred to as an escalating annuity, these instruments are relatively rare in the United States. They feature a rider that provides for increases in your income payments based on an inflation index such as the CPI or a set percentage. They are designed to help you maintain your spending power in real terms over time.

Living benefits. The term applied to a series of annuity options that protect against investment risk by guaranteeing either withdrawal payments, account values or annuity payments. There are three primary types—guaranteed minimum income benefits, guaranteed minimum accumulation benefits and guaranteed minimum withdrawal benefits.

Long-term care insurance provision. Some living benefit riders offer a long-term care insurance provision. It offers some advantages over a regular long-term care insurance policy; for example, you retain ownership of any unspent funds and can eventually withdraw them or pass them to beneficiaries upon death. It's also typically easier to get coverage with a long-term care provision as there are no medical underwriting requirements. There are drawbacks, however: If you do not deposit enough upfront, your coverage may not last during an extended illness requiring long-term care.

Longevity risk. The risk of outliving one's assets.

Management fees. These are fees associated with managing the investment portfolios within a variable annuity; they are similar to investment management fees in a mutual fund.

Mortality and expense risk charge. A fee charged in variable annuities for insurance guarantees, including the death benefit, the guaranteed lifetime income options, and the guarantee that contract charges will not increase.

Nonqualified annuity. An annuity in which purchase payments are made with after-tax dollars. Earnings accumulate on a tax-deferred basis until withdrawn.

Payout phase. The period during which the money accumulated in an annuity is paid out as regular income payments.

Qualified annuity. An annuity purchased for funding an IRA, 403(b) tax-deferred annuity, or other type of tax-benefited retirement arrangements. An IRA or qualified retirement plan provides tax deferral. An annuity contract should only be purchased within an IRA or qualified plan if a specific feature of the annuity is valued and the purchaser is willing to incur the additional cost of the feature.

Rider. An optional benefit to an annuity contract that, for a fee, allows you to customize the contract to fit your specific needs. For example, you can purchase a rider to a variable annuity guaranteeing you a certain level of income, regardless of the performance of the investments in your account. Bear in mind that riders increase the cost of your annuity and thus inevitably affect your rate of return.

Single premium annuity. An annuity contract that is purchased with a single payment. All immediate annuities and some deferred non-qualified annuities are in this category.

Stepped-up death benefit. A death benefit that is increased periodically to protect investment gains.

Surrender charges. The cost to a contract owner for withdrawals from the contract before the end of the surrender charge period. The surrender charge period typically is five to seven years.

Tax-free 1035 exchange. The ability under the U.S. tax code to exchange an existing variable annuity contract for a new annuity contract with features you prefer—without having to pay taxes on the income and investment gains. You may, however, be required to pay surrender charges if you are still in the surrender period.

Underlying fund expenses. These are fees and expenses that may be imposed by the mutual funds that make up the investment options in a variable annuity.

Variable annuity. An insurance company contract into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments beginning immediately or at some future date. Purchase payments are directed to a range of investment options, which may be mutual funds, or directly into the separate account of the insurance company which manages the portfolios. The value of the account during accumulation, and the income payments after annuitization vary, depending on the performance of the investment options chosen.

Insurance and annuity products are issued by unaffiliated third-party insurance companies and made available through insurance agency subsidiaries of UBS Financial Services Inc.

Please consider your investment objectives, risk tolerance, fees and expenses before investing in a variable annuity. For a prospectus please contact your Financial Advisor. Annuities are long-term investment vehicles designed for retirement purposes. Withdrawals or surrenders may be subject to surrender charges. For tax purposes, withdrawals are generally deemed to be earnings out first. Taxable amounts withdrawn will be subject to ordinary tax income, and if taken prior to the age of 59½, a 10% IRS penalty may also apply. Withdrawals have the effect of reducing the death benefit, optional benefit riders and the contract value. Guarantees are based on the claims-paying ability of the issuing insurance company. Guarantees do not apply to the investment performance or safety of amounts held in the variable accounts. Variable products and underlying investment options are not FDIC insured and have fluctuating returns so proceeds, when redeemed, may be worth more or less than their original value.

Past performance is no guarantee of future results. Neither UBS Financial Services Inc., nor any of its employees provide tax or legal advice. You must consult with your tax and legal advisors regarding your personal circumstances.

Long-Term care: Choosing the right product for your needs

Insurance

Long-term care insurance pays for nursing home care and other expenses not covered by health insurance, Medicare or Medicaid when the policyholder can no longer perform certain activities of daily living or suffers from a cognitive impairment. Many individuals may feel uncomfortable relying on their children or family members for support and find that long-term care insurance could help cover out-of-pocket expenses. Without long-term care insurance, the cost of providing these services may quickly deplete the savings of the individual and/or their family.

When shopping for long-term care insurance, there are multiple coverage options: (i) a traditional long-term care product, (ii) a permanent insurance policy with a long-term care insurance rider, and (iii) a linked benefit plan.

Traditional long-term care products

Traditional long-term care insurance may provide the most comprehensive coverage for the cost. Depending upon the type of policy purchased, long-term care insurance can cover home care, assisted living, adult daycare, respite care, hospice care, nursing home care, and Alzheimer's facilities. If home care coverage is purchased, long-term care insurance can pay for home care, often from the first day it is needed. It may pay for a visiting or live-in caregiver, companion, housekeeper, therapist or private duty nurse up to seven days a week, 24 hours a day (up to the policy benefit maximum). Policies may provide substantial premium discounts for couples, allow them to pool benefits (commonly known as "shared care") and have multiple inflation protection options for protection against rising costs. However, depending upon the option selected, the annual premiums could increase.

Many traditional long-term care policies use the person's inability to perform certain "activities of daily living" ("ADLs") as one trigger to determine if the policyholder is eligible for the long-term care benefit. ADLs are

(i) bathing, (ii) continence, (iii) dressing, (iv) eating, (v) toileting, and (vi) transferring (i.e., moving from one place to another). Most long-term care policies will pay benefits when one cannot do two of the six activities of daily living, but this may vary depending upon the individual's policy. Another trigger that can be used is when the policyholder needs substantial assistance for a designated period of time due to "cognitive impairment." Before paying benefits, the insurance company will usually require certification of the elements of these triggers by a physician or licensed healthcare practitioner.

Premiums paid on traditional long-term care insurance policies may also be eligible for an income tax deduction. The amount of the deduction depends on (i) whether the insured's total unreimbursed medical expenditures exceed a certain percentage of the insured's adjusted gross income, (ii) the age of the covered person, and (iii) whether the policy is tax-qualified. If paid for by the individual, benefits paid from a long-term care insurance policy are generally excluded from income.

In addition to traditional long-term care products, the combination policies described below may be attractive for some people whose health prevents them from qualifying for traditional long-term care insurance as the underwriting standards on the rider may be more lenient.

Permanent life insurance policies with long-term care insurance riders

Permanent life insurance has both a death benefit and a savings or investment component (commonly referred to as the policy's "cash value"). Clients interested in purchasing either a whole life, universal life or variable universal life insurance policy may also have an option to purchase a rider that will provide long-term care insurance coverage. A life insurance policy with a long-term care insurance rider provides access up to a specified percentage of the policy's death benefit to pay

for care. At the client's death, the client's beneficiaries receive the remaining death benefit.

The living benefits in these types of policies are typically limited to the amount of the death benefit. The cost of the living benefits can be much less than those of a typical traditional long-term care insurance policy, which generally covers all qualified expenses for a period of two to 10 years.

Linked Benefit plans: Combination of a life insurance and long-term care insurance policy

These are typically universal life insurance policies with an optional long-term care benefit rider. Policy premiums

can be paid up front with a single premium amount or in installments during a specific period of time, and the premium amounts are locked in at the time of purchase. There is also available for purchase a Refund of Premium ("ROP") feature available to policyholders who may change their mind after the policy is purchased. The biggest attraction of a combination policy is the combination of the long-term care benefit and the death benefit, so if the policyholder does not use the long-term care benefit during their lifetime, the policy will pay a death benefit to their beneficiaries.

	Traditional long-term care products	Permanent insurance products with a long-term care insurance rider	Linked Benefit plans
Description	<p>Long-term care insurance provides a source of funds to help pay for care when the client is unable to perform everyday tasks such as moving from one place to another, eating, dressing, or when they need supervision due to a cognitive impairment.</p> <p>Individual long-term care insurance can be customized. It is a personalized solution that can provide both benefits and other important features like inflation protection.</p>	<p>A life insurance policy with a long-term care rider is a death benefit focused policy with a long-term care rider. If the client's emphasis is on a death benefit or if the client will not qualify for long-term care insurance but still needs coverage, then these types of policies may be an appropriate solution.</p> <p>The premium payments pay for both life insurance and long-term care insurance coverage. The client purchases a cash-value insurance product (whole life, universal or variable universal life) and selects their long-term care coverage terms in the rider.</p> <p>Once the client triggers their long-term care coverage, the payments come out of the policy's death benefit, usually on a prearranged schedule.</p>	<p>A linked benefit plan is a long-term care-focused plan with a life insurance/death benefit rider attached. Linked benefit plans allow a client to leverage their premium payments so that it covers both life insurance and long-term care. This plan provides a source of funds for covered long-term care expenses and a death benefit for the client's beneficiaries.</p> <p>Premiums are typically paid in a single lump sum and the policy has a Return of Premium provision.</p>
Cash Value	N/A	Yes	Yes
Death Benefit	N/A	Yes	Yes
Customized Plan Design	Yes	N/A	N/A
Return of Premium Feature	Yes	N/A	Yes
Long-Term Care Benefits	Yes	Yes	Yes
Enhanced Leverage for Long-Term Care Benefits on Premium Payments	Yes	N/A	N/A
*Care Coordination	Yes	Yes	Yes

***Care Coordination:** Services provided by a licensed or certified healthcare professional designated by the insurance company to perform an assessment and develop a plan to meet the client's long-term care needs. The client should contact the respective carrier to determine whether this feature is available.

Your financial life encompasses much more than the current markets. It includes your goals for the future and how you want to live right now. Addressing needs in retirement, such as long-term care, and understanding the various solutions that are available can help you make an educated decision that is in line with your goals.

Applications for long-term care are subject to the underwriting requirements of the issuing insurance company, including a medical examination. Long-term care insurance may have a number of particular exclusions, limitations, reduction in benefits or other terms under which the policy may be continued in force or discontinued. For costs and complete details of the coverage, please contact your UBS Financial Advisor. The premiums initially listed on long-term care policies are not guaranteed and may change over the lifetime of the policy. Contract benefits and maximum monthly benefits may vary by state.

Insurance products are issued by unaffiliated third-party insurance companies and made available through insurance agency subsidiaries of UBS Financial Services Inc. All guarantees are based on the claims-paying ability of the issuing insurance company, and do not apply to the investment performance or safety of any amounts held in variable accounts. Variable products and underlying investment options are not FDIC insured and have fluctuating returns so proceeds, when redeemed, may be worth more or less than their original value.

Riders and optional benefits are available for an additional fee. Guarantees are based on the claims paying ability of the insurance company.

UBS Financial Services Inc., its affiliates, and its employees are not in the business of providing tax or legal advice. Clients should seek advice based on their particular circumstances from an independent tax advisor.

As a firm providing wealth management services to clients, we offer both investment advisory and brokerage services. These services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. For more information on the distinctions between our brokerage and investment advisory services, please speak with your Financial Advisor or visit our website at ubs.com/workingwithus. 1511106-3976_S IS1601495 Date of first use: 6/6/2016

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A plan for your financial life

Finding the right path to **pursue your goals**

Financial Goal Analysis with UBS

At UBS, the Financial Goal Analysis is our written financial plan that uses sophisticated analytics to help you evaluate whether you are on a path toward achieving your personal financial goals. When you incorporate a financial plan as part of our overall wealth management process, you'll have a clearer vision of what steps to take along the way.

Our wealth management process

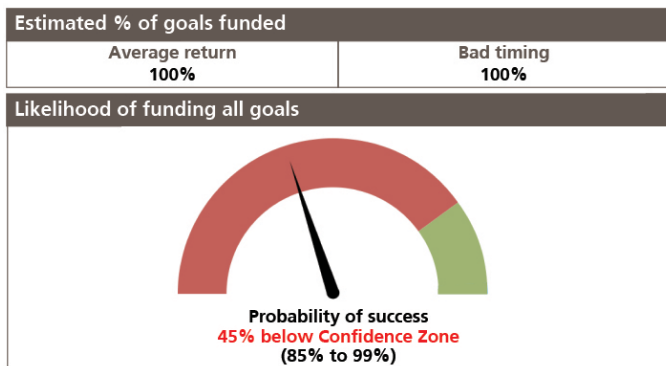
Discover. This is where we gain vital information about your goals and resources. We'll discuss the most important aspects of your financial life so that we can assess your current situation and uncover unmet needs. We can analyze both sides of your personal balance sheet—your assets, real estate, insurance, annuities and any windfalls that might come your way. We can also review your liabilities, tax situation and expenses. Your Financial Advisor will ask questions about your larger life—your priorities, life goals, causes you're passionate about, your needs, wants and wishes. We'll also learn about your time horizon for saving and overall risk tolerance.

Create. The next step includes creating your comprehensive written financial plan. Based on knowledge gained during the discovery phase, your

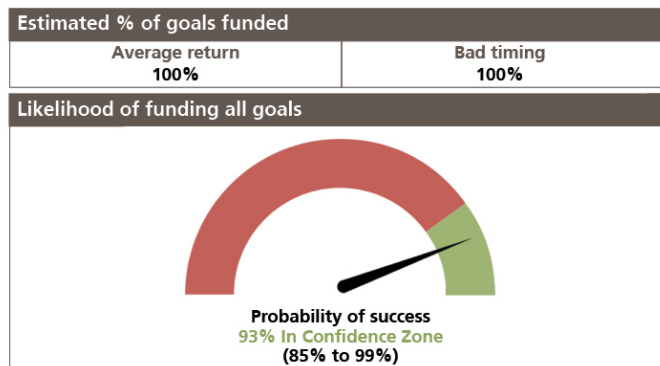
Financial Advisor will develop a strategic approach for your specific needs. The written plan will include an executive summary with clear action steps for you to consider, as well as "what-if" scenarios that let you evaluate alternative planning strategies and their possibilities. (See Exhibit 1).

Agree and understand. Once all your priorities have been identified, and you understand and agree on the plan, it's time to implement it.

Implement. Outside of your financial plan, we also offer a variety of products and services that can help you put the full range of strategies into action—from banking services to life insurance and more. And because you and your Financial Advisor have had comprehensive discussions about your goals, you'll be in a better position to determine which of these services complement your overall strategy.



Current situation: If you make no changes to your current situation, you have a 45% probability of success.



"What if" scenario: We'll help you see how different actions can improve the probability of success.

This scenario illustrates the impact of:

- Retiring later
- Reducing spending
- Increasing savings
- Adjusting the portfolio allocation

For illustrative purposes only. Results vary for every client. The FGA report is based on various assumptions including financial information, personal preferences and other information provided by the client. The report details the assumptions upon which the plan is based. **Important:** The projections or other information generated by the FGA regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

Monitor and review. Once your plan is implemented, it's important that you contact your Financial Advisor to periodically review it to assess your progress, and make any adjustments that may be needed due to changes in your financial or personal situation.

This may be the first time you've ever looked at your resources, needs and goals in such a thorough and integrated way. This comprehensive approach also provides an opportunity for an ongoing dialogue with your Financial Advisor that can help you be more confident about the decisions you make for your financial future.

In today's world, pursuing your life's goals is being challenged in new ways. Which makes now the perfect time to review your goals in terms of "Advice. Beyond investing." Because when we collaborate on what matters most to you, we can create a plan tailored for you that addresses the moving pieces of your financial life.

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Financial planning checklist

Smart planning considers everything. Use this checklist as a guide to collect and organize your financial information.

Personal

- Estimate of annual household expenses (excluding taxes)
- Federal and state income tax returns (most recent filed)
- Value of personal property (jewelry, collectibles, art, furniture, etc.)
- Business interests (type of entity, ownership interest, value)

Employment information

- Current paycheck stub
- Summary of company benefit plans and annual benefits summary—if available
- Deferred compensation and/or bonus deferral plans
- Stock option and/or restricted share statements
- Other company benefit plans
- Group life and disability summary

Savings & investments

- Bank statements (checking, savings, CDs)
- Investment statements (stocks, brokerage, mutual funds)
- Annuity statements
- Summary of real estate investments
- Education savings accounts (529 Plans, UGMA/UTMA, Coverdell Savings, trusts)

Retirement funding

- Retirement savings accounts (traditional IRA, Roth IRA)
- Retirement plan statements (401(k), 403(b)/TSA, Keogh)
- Employer-sponsored pension plans (statement indicating expected benefit)
- Social Security benefit statements, if available

Loans and liabilities

- Mortgage, home equity loan, and other loan statements

Insurance information

- Life insurance statements
- Disability insurance statements
- Long-term care insurance statements

Estate plan

- Wills, power of attorney documents, advanced healthcare directives
- Revocable and irrevocable trust documents
- Gift tax returns (most recent filed)

Advice. Beyond investing. Your financial life encompasses much more than the current markets. It includes your goals for the future and how you want to live right now. We are committed to helping you address all of your needs—giving you the confidence to pursue all of life’s goals.

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Fixed annuities

What are annuities?

- An annuity is simply a contract between an investor and an insurance company.
- Annuities can be purchased with pre-tax dollars or after-tax dollars.
- Since an IRA already provides tax deferral, the annuity is not providing any additional tax deferral in an IRA, but annuities can offer additional benefits, such as death benefits and guaranteed lifetime income.
- In exchange for a premium or series of premiums, the insurance company agrees to make periodic payments to the annuity owner.
- The value of a contract may go up or down, depending on the performance of the investments.
- Annuities can be either immediate or deferred.
- Immediate annuities start paying out right away.
- Deferred annuities may be invested one of two ways: fixed or variable and typically pay out after a period of time.
- Deferred annuities typically have two phases: accumulation and distribution.

An overview of fixed annuities

- Fixed annuities can be bought with a lump-sum payment or with periodic payments. The insurance company guarantees* both the earnings and principal.
- The money invested in the annuity is guaranteed* to earn a fixed rate of return throughout the accumulation phase of the annuity. During the payout, or “annuitization” phase, the money invested (minus the payouts) will continue to grow at this fixed rate.
- In some cases, however, annuitants don’t live long enough to claim the full amount of their annuities. When this happens, they end up passing on the remainder of the annuity’s value to the company that sold them the annuity. This can be avoided depending on what type of annuity is selected.
- There are two main types of fixed annuities: life annuities and term-certain annuities.

- Life annuities pay a predetermined amount each period (usually monthly) until the death of the annuitant.
- Term-certain annuities pay a predetermined amount each period until the annuity expires, which could be before the death of the annuitant.
- Earnings are not taxed until withdrawn. For tax purposes, earnings are withdrawn first. In addition, withdrawals during the first six years of your contract may be subject to a withdrawal charge starting at 6% and declining to 2% in the sixth year. Withdrawals of taxable amounts are subject to income tax, and prior to age 59½, a 10% federal income tax penalty may apply.
- Typically, there is a choice of payout options offered.

Important benefits of fixed annuities

- **Predictability of lifetime income**—Once you decide you need income, you can convert your annuity assets into a stream of fixed income payments that last as long as you live.
- **A guarantee***—One unique feature of a fixed annuity, unlike other means of saving for retirement, is that the insurance company (from which the annuity is purchased) actually guarantees* the owner’s earnings and principal.
- **Supplemental vehicle for retirement and pension income**—Considering that some pension benefits are being reduced and that traditional entitlements like Medicare and Social Security may be curbed in the future, purchasing a fixed annuity now can be a prudent way to maintain your current lifestyle in the future.
- **Tax-deferred growth**—Fixed annuities offer the potential to accumulate assets on a tax-deferred basis, similar to 401(k) plans and IRAs. Assets used to purchase a fixed annuity grow without current tax consequences.

*Guarantees are based on the claims-paying ability of the issuing insurance company. Guarantees do not apply to the investment performance or safety of amounts held in the variable accounts.

- **Market volatility protection**—Help protect your retirement income regardless of market fluctuations, since your contact is growing at a fixed rate, as opposed to moving with market performance.

Factors and risks to consider when purchasing fixed annuities

- Your need for future income to meet retirement expenses.
- The degree of liquidity you require during retirement.
- How long you envision yourself living in retirement.
- Fees and expenses associated with annuities.
- The complexities of various options offered.
- Potential surrender charges and IRS penalties that may be incurred if you need to access annuity funds early.

- Withdrawals from annuity contracts are taxed as ordinary income.
- Guarantees* are only as strong as the financial strength of the insurance company that issues the annuity.

Let's talk about it

- UBS offers a wide range of annuity products from some of the most established and well-respected insurance companies in the country.
- If you're concerned about funding a retirement that may last 20 years or longer, we should discuss fixed annuities as a possible option.

Your financial life encompasses much more than the current financial markets. It includes your goals for the future and how you want to live right now. We are committed to addressing all of your needs—giving you the confidence to pursue all of your life's goals. This includes supplementing your retirement income with financial solutions, such as fixed annuities, that can address your income needs, while allowing you to plan for your wants and wishes.

Please consider your investment objectives, risk tolerance, fees and expenses before investing in a fixed annuity. For a prospectus please contact your Financial Advisor.

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Long-term care insurance

An overview of long-term care insurance

- Long-term care refers to the medical and social services that support the needs of people living with chronic health problems that affect their ability to perform everyday activities.
- Long-term care services include traditional medical services, social services and housing.
- Many traditional long-term care insurance policies use the insured's inability to perform certain "activities of daily living," such as bathing and dressing, as one trigger to determine whether the policyholder is eligible for a long-term care benefit.

Types of long-term care insurance

There are three types of long-term care insurance: traditional long-term care insurance, permanent life insurance with a long-term care rider, and hybrid products.

- **Traditional long-term care insurance**—may provide the most comprehensive coverage for the cost. Long-term care insurance can cover home care, assisted living, adult daycare, respite care, hospice care, nursing home care and Alzheimer's facilities.
- **Permanent life insurance with long-term care rider**—Clients interested in purchasing certain life insurance policies may also have an option to purchase long-term care coverage. These policies have a death benefit and a savings or investment component (commonly referred to as the policy's "cash value"). At the owner's death, the beneficiaries receive the remaining death benefit.
- **Hybrid products**—These are typically universal life insurance policies with an optional long-term care benefit. The biggest attraction of a hybrid policy is the combination of the long-term care benefit and the death benefit. If the policyholder does not use the long-term care benefit during his or her lifetime, the policy will pay a death benefit to the beneficiaries.

Important benefits of traditional long-term care insurance

- **Source of funds for care**—Long-term care insurance provides a source of funds to help pay for care when

the client is unable to perform certain everyday activities, instead of funding costs out-of-pocket or relying on family to help fund costs.

- **Potential tax benefits**—Premiums paid on traditional long-term care insurance policies may also be eligible for an income tax deduction. The amount of the deduction depends on (i) whether the insured's total unreimbursed medical expenditures exceed a certain percentage of adjusted gross income, (ii) the age of the insured person, and (iii) whether the policy is tax-qualified. Benefits paid from a long-term care insurance policy are generally excluded from income, if premiums are paid by the individual.
- **Policy customization**—The policy can be customized for your needs (e.g., inflation protection may be added).
- **Riders**—"Add-ons" to a policy that can help personalize benefits and other important features.

Important benefits of permanent life insurance with long-term care rider

- **Death benefit**—A life insurance policy with long-term care insurance rider specifies a percentage of the policy's death benefit to pay for care. At the owner's death, the beneficiaries receive any remaining death benefit.
- **Flexible underwriting standards**—Underwriting standards on hybrid policies may be more lenient than those of traditional long-term care policies, making them attractive for people whose health may prevent them from qualifying for traditional long-term care insurance.

Important benefits of hybrids

- **Death benefit**—The biggest attraction of a hybrid policy (sometimes called a "linked-benefit policy") is the combination of the LTC benefit and the death benefit, the policyholder does not use the LTC benefit. If during his or her lifetime, the policy will pay a death benefit to beneficiaries.
- **Lump sum premium**—Premiums are typically paid in a single lump sum and the policy has a Return of Premium provision. The Return of Premium provision

provides that, in the event of the insured's death within a specified period of time, the policy will return all premiums paid, in addition to the face amount of the policy.

Factors and risks to consider when purchasing all kinds of long-term care

- The specifications of what exactly the policy covers; for example, adult day care, home care services, or assisted living facilities.
- The exclusions, limitations, reduction of benefits and terms under which the policy may be continued in force or discontinued.
- The cost and complete details of coverage.
- The length of the benefit period.
- The length that you want the policy to pay for coverage.
- Getting a rider for inflation to keep up with rising healthcare costs.

- The length of payments.
- The need for a waiver of payment during the benefit period.
- The need for your policy to be customized.
- The risk of purchasing LTC and not using it.

Let's talk about it

- UBS offers a wide range of insurance products from some of the most established and well-respected insurance companies in the country.
- If you're concerned about funding a retirement that may last 20 years or longer, you should discuss long-term care insurance with us.
- We will take the time to understand your individual needs and circumstances and determine whether long-term care might be appropriate in light of your current goals, objectives and financial situation.

Your financial life encompasses much more than the current markets. It includes your goals for the future and how you want to live right now. Addressing needs in retirement, such as long-term care, and understanding the various solutions that are available can help you make an educated decision that is in line with your goals.

Insurance products are issued by unaffiliated third-party insurance companies and made available through insurance agency subsidiaries of UBS Financial Services Inc. "Guarantees are based on the claims-paying ability of the issuing insurance company."

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As a firm providing wealth management services to clients, we offer both investment advisory and brokerage services. These services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. For more information on the distinctions between our brokerage and investment advisory services, please speak with your Financial Advisor or visit our website at ubs.com/workingwithus. 151106-3974_S

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Annuities

An overview of annuities

- An annuity is simply a contract between an investor and an insurance company.
- Annuities can be purchased with pre-tax dollars or after-tax dollars.
- Since an IRA already provides tax deferral, the annuity is not providing any additional tax deferral in an IRA, but annuities can offer additional benefits, such as death benefits and living benefits.
- In exchange for a premium or series of premiums, the insurance company agrees to make periodic payments to the annuity owner.
- The value of a contract may go up or down, depending on the performance of the investments.
- Annuities can be either immediate or deferred.
- Immediate annuities start paying out right away.
- Deferred annuities may be invested one of two ways: fixed or variable and typically pay out after a period of time.
- Deferred annuities typically have two phases: accumulation and distribution.

Important benefits

- **Income for life**—You can have the insurance company that issues your annuity guarantee you (and, if you like, your spouse or someone else you designate) income payments for the rest of your life. In the case of a joint annuitant, payments will last for as long as the surviving annuitant lives.
- **Tax-deferred growth**—Contributions to an annuity, along with any earnings, grow tax deferred until you begin to receive annuity payments.
- **Exchange among professionally-managed investments**—You may choose from an array of professionally managed portfolios ranging from the most conservative investments, such as money market and government bond portfolios, to a variety of more aggressive equity investments.

- **Death benefit**—This amount is usually equal to money left in the annuity contract, plus the interest accrued up until the annuitant's death. For all types of annuities, contract add-ons, called "riders," can be purchased to increase the death benefit (for an additional fee).
- **Principal protection**—May be obtained by a living benefit rider that guarantees* the return of your entire principal in cash after a defined holding period (regardless of market performance). Some variable annuities allow for upside participation in market indices while offering some downside protection of your investment.

Factors and risks to consider

- Your need for future income to help meet retirement expenses.
- The degree of liquidity you require during retirement.
- How long you envision yourself living in retirement.
- Fees and expenses associated with the annuity.
- The objectives and performance of the annuity's investment options.
- Potential surrender charges and IRS penalties that may be incurred if you need to access annuity assets early.
- Withdrawals from annuity contracts are taxed as ordinary income.
- Depending on what type of annuity you purchase, you will experience varying degrees of investment risk. Investment risk is the risk that your underlying assets will depreciate over time.
- Guarantees* are only as strong as the financial strength of the insurance company that issues the annuity, and do not apply to the investment performance or safety of amounts held in variable accounts (which are not FDIC insured).

*Guarantees are based on the claims-paying ability of the issuing insurance company. Guarantees do not apply to the investment performance or safety of amounts held in the variable accounts.

Let's talk about it

- UBS offers a wide range of annuity products from some of the most established and well-respected insurance companies in the country.
- If you're concerned about funding a retirement that may last 20 years or longer, let's discuss annuities as a possible income option.

Your financial life encompasses much more than the current financial markets. It includes your goals for the future and how you want to live right now. We are committed to addressing all of your needs—giving you the confidence to pursue all of your life's goals. This includes providing financial solutions, such as annuities, that address your income needs, while allowing you to plan for your wants and wishes.

Please consider your investment objectives, risk tolerance, fees and expenses before investing in a variable annuity. For a prospectus please contact your Financial Advisor.

Annuity products are issued by unaffiliated third-party insurance companies and made available through insurance agency subsidiaries of UBS Financial Services Inc.

UBS Financial Services Inc., its affiliates, and its employees do not provide tax or legal advice. Clients should contact their personal tax and/or legal advisors regarding their particular situations.

As a firm providing wealth management services to clients, we offer both investment advisory and brokerage services. These services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. For more information on the distinctions between our brokerage and investment advisory services, please speak with your Financial Advisor or visit our website at ubs.com/workingwithus. 151020-3858_S

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Variable annuities

What are annuities?

- An annuity is simply a contract between an investor and an insurance company.
- Annuities can be purchased with pre-tax dollars or after-tax dollars.
- Since an IRA already provides tax deferral, the annuity is not providing any additional tax deferral in an IRA, but annuities can offer additional benefits, such as death benefits and living benefits.
- In exchange for a premium or series of premiums, the insurance company agrees to make periodic payments to the annuity owner.
- The value of a contract may go up or down, depending on the performance of the investments.
- Annuities can be either immediate or deferred.
- Immediate annuities start paying out right away.
- Deferred annuities may be invested one of two ways: fixed or variable and typically pay out after a period of time.
- Deferred annuities typically have two phases: accumulation and distribution.

An overview of variable annuities

- A variable annuity is a tax-deferred retirement vehicle that offers a variety of investment options and provides a steady stream of income.
- An annuity can be purchased with either a lump sum or with periodic payments during what's called the "accumulation phase." These payments are invested (hence, the "variable," since investment performance fluctuates) and accumulate on a tax-deferred basis.

Important benefits of variable annuities

An alternate retirement investment vehicle—

A variable annuity can be a way to help supplement retirement income.

Tax-deferred growth—Assets grow on a tax-deferred basis, similar to 401(k) plans and IRAs.

A guarantee*—One feature of a variable annuity, unlike other means of savings for retirement, is that the insurance company from which the annuity is purchased makes the owner a guarantee.* Through optional benefits purchased at an additional cost, annuities can guarantee* the principal investment or the income payment, as well as the death benefit.

No ceiling for contributions—Unlike 401(k)s and IRAs, there is generally no legal ceiling on annuity contributions. So once the maximum contribution limits have been reached on traditional retirement plans, an annuity is a way for pre-retirees to continue saving tax-deferred.

Death benefit—If the annuity owner, and in some cases the annuitant, dies before the payments have been completed, a beneficiary (usually a spouse or child) in most cases can be nominated to continue receiving at least the amount of the principal or payments made up to that point.

Factors and risks to consider when purchasing variable annuities

- Your need for future income to help meet retirement expenses.
- The degree of liquidity you require during retirement.
- How long you envision yourself living in retirement.
- Fees and expenses associated with annuities.
- Potential surrender charges and IRS penalties that may be incurred if you need to access annuity funds early.
- Withdrawals from annuity contracts are taxed as ordinary income.
- Guarantees* are only as strong as the financial strength of the insurance company that issues the annuity and do not apply to the investment performance or safety of amounts held in variable accounts (which are not FDIC insured).

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Please consider your investment objectives, risk tolerance, fees and expenses before investing in a variable annuity. For a prospectus please contact your Financial Advisor.

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